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IN THE

Supreme Court of the United States

OCTOBER TERM, 1997

QUALITY KING DISTRIBUTORS, INC.,
Petitioner,

v.

L'ANZA RESEARCH INTERNATIONAL, INC.,
Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit

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REPLY BRIEF FOR PETITIONER

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REPLY BRIEF FOR PETITIONER

In our opening brief, we showed that the prohibition of imports contained in Section 602(a) is subject to the same limitations as the other components of the Section 106(3) distribution right, including the first sale doctrine of Section 109(a). In response, L'anza advances a hodgepodge of arguments, most of which involve *other* provisions of the Copyright Act and none of which refutes our central point. L'anza seeks an exception from the well-settled principle that a copyright owner has no right to control the subsequent disposition of genuine copies of copyrighted works once the owner has sold them. As shown below, there is no basis for creating such an exception, and no basis for allowing L'anza to use the Copyright Act to promote its territorial marketing schemes and charge higher prices for goods intended for U.S. consumers.

I. SECTION 109(a) PRECLUDES THE APPLICATION OF SECTION 602(a) IN THIS CASE

A. Section 109(a) Applies to Importation

Some of L'anza's *amici* advance a new argument that was not raised below.[1] They contend that Section 109(a) does not apply to this case because Section 602(a) applies to the act of "importation," while Section 109(a) allows the owner of a lawfully made copy to "sell or otherwise dispose of the possession of the copy * * *." Thus, they argue, Section 109(a) does not cover the act of importation and therefore provides Quality King with no defense.

To the extent the argument is even properly before the Court,[2] it should be rejected. The first sale doctrine has existed, in either case law or statute, for more than 100 years.[3] As this Court held in *Bobbs-Merrill*, 210 U.S. at 351, the doctrine delimits the distribution right: a copyright owner's distribution rights do not extend to copies that have been sold. *See* Pet. Br. at 20. Thus, when Congress expressly made Section 602(a) a component of the Section 106(3) distribution right, it necessarily incorporated this limitation. L'anza's *amici* have offered no reason why the Court should except the importation provision from the longstanding first sale limitations applying to the rest of the distribution right. Nor have they demonstrated any reason to believe that Congress intended to curtail sharply the first sale doctrine—a long-settled and well-recognized principle of copyright law—without as much as a mention of such intention in the statutory language or legislative history.

[1] *See* U.S. Br. at 7-10; Br. for Recording Industry Association of America, *et al.* ("RIAA Br.") at 19-21; Br. for the National Consumer League, *et al.* at 21.

[2] The Court will not consider arguments raised by *amici* when those arguments were not raised by the parties in the proceedings below or in this Court. *See Robertson* v. *Seattle Audobon Soc'y*, 503 U.S. 429, 441 (1992); *United Parcel Serv., Inc.* v. *Mitchell*, 451 U.S. 56, 60 n.2 (1981); *Bell* v. *Wolfish*, 441 U.S. 520, 531 n.13 (1979). L'anza did not raise this argument below, and although L'anza now alludes to it in one sentence of the "summary" of argument section of its brief (*see* Resp. Br. at 16), the contention appears nowhere in the actual argument. Accordingly, the Court should decline to consider it.

[3] *See Bobbs-Merrill Co.* v. *Straus*, 210 U.S. 339 (1908); *Kipling* v. *G.P. Putnam's Sons*, 120 F. 631, 634 (2d Cir. 1903); *Doan* v. *American Book Co.*, 105 F. 772, 776 (7th Cir. 1901); *Harrison* v. *Maynard, Merrill & Co.*, 61 F. 689, 691 (2d Cir. 1894); *Bobbs-Merrill Co.* v. *Snellenburg*, 131 F. 530, 532 (E.D. Pa. 1904); *Clemens* v. *Estes*, 22 F. 899, 900 (D. Mass. 1885); *Stowe* v. *Thomas*, 2 Amer. Law Reg. (O.S.) 210, 213 (E.D. Pa. 1853).

The terms of Section 109(a) are quite broad: they allow any owner of a copy made lawfully under U.S. copyright law (and it is undisputed that Quality King is such a person) to sell "or otherwise dispose of the possession" of that copy. As this Court has noted, "'the expression 'dispose of' is very broad, and signifies more than 'to sell.' Selling is but one mode of disposing of property.'" *Hill* v. *Sumner*, 132 U.S. 118, 123-124 (1889) (quoting *Phelps* v. *Harris*, 101 U.S. 370, 380 (1879)). And as even the Government notes (*see* U.S. Br. at 8), the term "dispose of" means, among other things, "to transfer," *The American Heritage Dictionary of the English Language* 380 (1980)—a meaning that is plainly broad enough to include the act of transporting from one country to another. *See also Webster's Third New International Dictionary* 654 (1976) (defining word "disposal" to include "the transference of something into new hands *or to a new place*") (emphasis supplied). Section 109(a) was plainly intended to immunize more activities than those listed in Section 106(3) itself, and importation is a principal example of such an activity.[4] A disposal of possession of any article

[4] The terms of Section 109(a) demonstrate that its protection for owners of lawfully made copies was intended to be broader than the components of the distribution right set forth in Section 106(3): the terms of Section 106(3) grant the copyright holder the exclusive right only to "distribute copies * * * to the public," while Section 109(a) grants the owner of a copy the right to "sell or otherwise dispose of the possession" of the copy irrespective of whether public dissemination has occurred. This is strong evidence that Congress intended for Section 109(a) to immunize conduct covered by the Copyright Act in addition to the activities set forth in Section 106(3).

could include the article's transport, delivery, export or import, and there is no exception to Section 109(a) when an importation is part of the transaction by which a lawfully obtained article is "disposed of." Moreover, very few situations covered by Section 602(a) would not entail selling or disposing of the possession of the imported item—whether to a shipper or the ultimate recipient—and there is no allegation that this case presents such a situation.

The legislative history confirms that Congress intended for Section 109(a) to have this broad effect. The prior codification of the first sale doctrine provided that nothing in the Copyright Act should be deemed to restrict the "transfer" of any copyrighted work lawfully obtained, Act of July 30, 1947, ch. 391, § 27, 61 Stat. 652, 660, and this provision was intended to prevent a copyright owner from exercising "any control whatever" over the article once it has been sold. H.R. Rep. No. 2222, 60th Cong., 2d Sess. 19 (1909). The Copyright Act of 1976 was intended to "restate[ ] and confirm[ ]" the prior doctrine. H.R. Rep. No. 1476, 94th Cong., 2d Sess. 79 (1976) [hereinafter, "House Report"]; S. Rep. No. 473, 94th Cong., 1st Sess. 71 (1975) [hereinafter, "Senate Report"]. Congress intended that under Section 109(a) the sale of a copy "frees it from *any copyright control* over its resale price *or other conditions of its future disposition*." *Id.* (emphasis supplied). This language indicates Congress' intent that Section 109(a) be given broad effect, encompassing the activities alleged to have occurred in this case. There is no hint that "dispositions" of lawfully obtained copies are removed from the ambit of Section 109(a) when they include importation. L'anza is plainly attempting to impose a condition on Quality King's disposition of the goods in question, and that attempt is therefore barred by the first sale doctrine.[5]

[5] Even if the Court were to hold that the language of Section 109(a) does not protect the act of importation, the judgment below must still be reversed. In *Parfums Givenchy, Inc.* v. *Drug Emporium, Inc.*, 38 F.3d 477 (9th Cir. 1994), *cert. denied*, 514 U.S. 1004 (1995), the Ninth Circuit held that if a copy is imported in violation of Section 602(a), then all subsequent acts of distribution necessarily violate Section 602(a) and are not

B. Applying Section 109(a) in This Case Does Not Render Section 602(a) Meaningless

Neither L'anza nor its *amici* have refuted our point that there are numerous circumstances in which Section 602(a) would prevent importation of non-piratical copies notwithstanding the applicability of Section 109(a). *See* Pet. Br. at 24-29. Instead, some of L'anza's *amici* attempt to belittle our position, by contending that under our interpretation Section 602(a) would apply in only a few trivial situations. *See, e.g.*, U.S. Br. at 16. The circumstances we posit, however, are not unusual, and were specifically contemplated by the drafters of Section 602. *See* Pet. Br. at 26-29 & n.13.

For example, we explained that the holder of the U.S. rights to a work could likely prevent the importation of competing copies made by an unrelated holder of foreign rights—regardless of whether the copies had been sold—because they would not have been "made under this title" within the meaning of Section 109(a). *See* Pet. Br. at 28-29; *see also* U.S. Br. at 30 ("made under this title" refers to copies made with the authorization of the copyright owner or otherwise authorized by title 17). Thus, the owner of the U.S. copyright to a book or videocassette could likely prevent the importation of

protected by Section 109(a). Expressly relying on that holding, L'anza contended in the lower courts that it was wholly *irrelevant* whether Quality King had any connection to the importation. *See* Pet. Br. at 5 n.1; Appellees' Answering Brief at 14-16, *L'anza Research Int'l, Inc.* v. *Quality King Distributors, Inc.*, No. 95-56447 (9th Cir. filed Mar. 27, 1996). L'anza produced no evidence on that point in support of its motion for partial summary judgment, and in fact later put forward evidence demonstrating that Quality King was *not* the importer. *See* Declaration of John K. McKasson ¶ 7 & Ex. 6 thereto (R. 88). Accordingly, if the Court were now to consider and accept the new argument that the applicability of Section 109(a) turns on whether Quality King itself imported the goods, that factual issue is plainly in dispute. As plaintiff, L'anza bore the burden of proving Quality King's liability. If L'anza is permitted to switch theories at this late date and now argue that it *is* relevant whether Quality King was the importer, Quality King must be given the opportunity to rebut that new allegation.

foreign copies produced solely under a foreign copyright, regardless of whether those editions had been first sold. This precise situation—which corresponds to the interpretation of the trademark laws this Court upheld in *K Mart Corp.* v. *Cartier, Inc.*, 486 U.S. 281 (1988)—was in fact the principal concern voiced by proponents of Section 602(a) during the revision process. *See* Pet. Br. at 28-29 n.13. Under this interpretation, Section 602(a) both retains significant meaning and is fully consistent with the longstanding first sale doctrine: while a U.S. copyright may block importation of copies produced solely under the copyright laws of a foreign country—whose production and distribution the U.S. copyright holder cannot control—it may not do the same for copies that it has itself made and sold.

For the same reasons, L'anza is wrong to contend that our interpretation would render the exceptions listed in Section 602(a)(1)-(3) "superfluous." Resp. Br. at 20, 25. Just as Section 602(a) retains significant meaning when subject to Section 109(a), so the exceptions to Section 602(a) are not "superfluous" as well. As we have shown (*see* Pet. Br. at 24-25), and as L'anza concedes (*see* Resp. Br. at 15-16), Section 602(a), where it applies, permits the copyright holder to block importation even where no public dissemination has occurred or is even intended. Thus, notwithstanding the applicability of Section 109(a), there was a need to protect persons who import copies for purposes other than public distribution. That is precisely what Congress did in Section 602(a)(1)-(3). Each of these exceptions applies to certain copies imported for purposes other than distribution to the public. For example, Section 602(a)(2) would allow a traveler to carry in his or her personal baggage no more than one copy of a foreign edition of a U.S. copyrighted book for personal use, notwithstanding that the U.S. copyright holder could likely block the importation of other copies of that edition intended for public distribution. As discussed above, Section 109(a) does not protect the traveler if the multiple copies were made under a foreign copyright and not "made under this title." Thus, far from being "superfluous" under

our interpretation, the specific exceptions in Section 602(a) are an integral and necessary part of the statutory scheme.[6]

C. The Structure of the Copyright Act Supports Quality King's Interpretation

The structure of the Copyright Act confirms our interpretation. As we have explained, by expressly making Section 602(a) a component of the distribution right, and by expressly making that right subject to Section 109(a), Congress indicated its intention that Section 602(a) would be subject to the first sale doctrine just like the rest of the distribution right. *See* Pet. Br. at 14-16. L'anza does not even *attempt* to explain why else Congress would have linked Section 602(a) to the Section 106(3) distribution right.[7] Instead, L'anza contends that *other* statutory provisions that are not applicable here support its position. In fact, however, the structure of the Copyright Act supports our interpretation, not L'anza's.

1. Section 501

L'anza argues in passing that the reference to Section 602 in Section 501 (the Copyright Act's general enforcement

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[6] L'anza also argues that the reference to Section 108(g)(2) in Section 602(a)(3) somehow demonstrates that Congress did not intend for the other exceptions in Sections 107 through 120, including Section 109(a), to apply to Section 602(a). *See* Resp. Br. at 23-24. The reference does not support L'anza's point. Section 108(g)(2) is an exception to Section 108's authorization for certain types of libraries or archives to reproduce or distribute no more than one copy of certain types of works under specified circumstances. Thus, when Congress enacted the analogous exception in Section 602(a)(3), which applies to different organizations and different works, it simply wanted to make clear that Section 602(a)(3) would likewise not apply in the circumstances set forth in Section 108(g)(2)—*i.e.*, where the importation was part of a systematic reproduction or distribution effort.

[7] The Government asserts that Congress did so merely "to identify who may sue to enforce the Section 602 importation right, not to delimit the scope of that right." U.S. Br. at 20. Neither the language of Section 602(a) nor the legislative history cited by the Government (*id.* at 21) remotely supports that assertion.

provision) demonstrates that Congress intended for Section 602(a) to be a separate right not subject to the same limitations as the Section 106(3) distribution right. *See* Resp. Br. at 31; *see also* U.S. Br. at 19. There was a clear reason, however, for Congress to separately specify the act of importation in Section 501 even though it had already made Section 602(a) a component of the Section 106(3) distribution right. Without a specific reference to Section 602, Section 501 would have conferred enforcement rights only against one "who violates any of the exclusive rights of the copyright owner as *provided by* Sections 106 through 118." 17 U.S.C. § 501(a) (emphasis supplied).[8]

Thus, to ensure that there would be no question as to whether a violation of Section 602(a) would be actionable under Section 501, Congress specified the act of importation as an actionable infringement in addition to the acts specifically listed in Section 106. Had Congress not done so, it would have created unnecessary confusion over whether the reference to Section 106 in Section 501 included importation by virtue of the incorporation of Section 106 in Section 602(a). No greater meaning can be divined from Section 501, which says nothing whatsoever about whether Section 109(a) applies to this case.[9]

2. Section 106A

We explained in our opening brief that the language of Section 106A demonstrates that when Congress intends to create distinct rights that are exempt from the first sale doctrine, it does so expressly. *See* Pet. Br. at 16-17. In response, L'anza

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[8] Moreover, although Congress, in Section 602(a), deemed unauthorized importation to be a violation of the distribution right, that does not mean that importation and distribution are the same thing. Indeed, as the Government takes pains to note, the two terms are not synonymous. *See* U.S. Br. at 18-20.

[9] Congress' "belt-and-suspenders" approach to this issue is demonstrated by the fact that it separately cross-referenced Section 501 in Section 602(a), a reference that would appear unnecessary given the language of Section 501.

contends that Congress denominated Section 106A—unlike Section 602(a)—as an independent right not lost through transfer of the work because "Section 106A provides rights to original works of visual art, not copies of those works," and because Section 106A rights "are those of the author, whether the copyright holder or not." Resp. Br. at 21, 22.

These are distinctions without any relevance. Regardless of what is protected by Section 106A and who can enforce it, Congress needed to specify expressly that Section 106A was an independent right not lost through a first sale because the right would otherwise have been subject to all of the limitations—including the first sale doctrine—that apply to exclusive rights under the Copyright Act. The same is true with Section 602(a), yet Congress made no such exemption.[10]

3. Section 107

In our opening brief, we explained that if L'anza were correct that Section 602(a) is an independent right unlimited by the exceptions set forth in Sections 107 through 120, then Section 602(a) would not be subject to the "fair use" exception of Section 107, with the untenable result that importations of material that would otherwise be fair use would be an infringement of copyright. In response, L'anza concedes that, under its interpretation, Section 602(a) would not be subject to Section 107, but argues that this would not result in draconian restrictions on the international transfer of information because the exceptions in Section 602(a)(1)-(3) supposedly serve the same function as the fair use doctrine of Section 107. *See* Resp. Br. at 24.

L'anza is mistaken. The exceptions in Section 602(a) provide private citizens with extremely limited rights to import no more than five copies of a copyrighted work for certain

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[10] L'anza also argues that Congress needed to be clearer that Section 106A is independent of Section 106 because of "the proximity of the two statutes" in the U.S. Code. Resp. Br. at 21. This argument is absurd. The physical placement of a provision in the U.S. Code can have no relevance to the proper interpretation of the statute's language.

purposes other than for public distribution. Section 107, by contrast, provides that the "fair use of a copyrighted work * * * for purposes such as criticism, comment, news reporting, teaching * * * scholarship, or research, is not an infringement of copyright." 17 U.S.C. § 107. Thus, Section 107 applies in a wide range of circumstances that are not covered by the exceptions in Section 602(a). For example, the use of small excerpts from U.S. copyrighted material in a newspaper, book review, or work of literary criticism is generally considered fair use. *Id.* However, if multiple copies of such a work—for example, a foreign newspaper or scholarly book—are imported for public distribution, the importation would not be covered by the exceptions in Section 602(a) and would, in L'anza's view, be prohibited. That is plainly an intolerable result, and one that Congress could not have intended when it made Section 602(a) part of the Section 106(3) distribution right.

D. The Legislative History Supports Quality King's Interpretation

We have explained that to the extent the legislative history is relevant to the question before the Court, that history supports Quality King's interpretation, not L'anza's. *See* Pet. Br. at 17-23.[11] In response, L'anza has selectively quoted and even mischaracterized portions of the legislative record in order to support its position.

Thus, L'anza contends that the official committee reports are "unambiguous" that Section 602(a) is not subject to the same limitations as the other components of the Section 106(3) distribution right. Resp. Br. at 32 (quoting

[11] The Government (*see* U.S. Br. at 11 n.7) takes issue with our statement that the informal panel discussions held during the Copyright Act revision process are of little use in divining Congress' intent on the present issue, noting that the Court considered these materials in *Mills Music, Inc.* v. *Snyder*, 469 U.S. 153 (1985). In that case, however, the Court merely considered these materials—as it would hearing testimony—to show that Congress was aware of certain practices in the music publishing industry. *Id.* at 170-172.

House Report, *supra*, at 169-170; Senate Report, *supra*, at 152). As we have explained, however, the general language cited by L'anza is followed almost immediately by specific explanations of Section 602(a) making clear that the provision was intended to apply only to copies whose "distribution in the United States would infringe the U.S. copyright owner's exclusive rights." House Report, *supra*, at 170; Senate Report, *supra*, at 152. The principal instance where distribution would *not* be an infringement is where the person possessing the copy is the lawful owner of it under Section 109(a). Accordingly, this legislative history is in fact evidence that Congress intended for Section 602(a) to be subject to the same limitations as the other components of the distribution right, including Section 109(a).[12]

L'anza's next argument simply misrepresents the legislative history. According to L'anza, its position is supported by a reference in the committee reports to "Section 109" in connection with Section 602. *See* Resp. Br. at 32 (quoting House Report, *supra*, at 170; Senate Report, *supra*, at 152). The quoted provision, however, refers to "section 109 *of the statute now in effect*,"—*i.e.*, Section 109 of the Copyright Act of *1909*, which Congress was then revising. Section 109 of the 1909 Act (as amended prior to the 1976 Act) was an enforcement provision, carried forward in current Section 603, that had nothing to do with the first sale doctrine. *See* Act of July 30, 1947, ch. 391, § 109, 61 Stat. 652, 664 (codifying and amending Act of Mar. 4, 1909, 35 Stat. 1075). Thus, the language quoted by L'anza has nothing to do with the issues now before the Court.

[12] Thus, we agree with the Government that Section 602(a) was not intended to apply where there is "no Section 106(3) distribution right." U.S. Br. at 21. *See also id.* ("only copyright owners who retain their distribution rights can enforce the importation right"). The Government postulates (*id.*) that a compulsory licenser cannot avail itself of Section 602(a) because its exclusive distribution right has become subject to the statutory license. *See* 17 U.S.C. § 115. The same is true, however, for a copyright owner whose exclusive distribution right has been cut off by Section 109(a).

L'anza also attempts to recast the comments of Mr. Goldman, the former General Counsel of the Copyright Office, referred to in our opening brief. *See* Pet. Br. at 22-23 & n.10. L'anza quotes Goldman's response to a question about Section 602's effect on books that had been imported after being purchased from a German wholesaler who had purchased them from a German publisher. *See* Resp. Br. at 34-35. The response indicates Goldman's understanding of the proposed statute's general purpose of restricting unauthorized imports. Almost immediately after the quoted response, however, Goldman made clear his understanding that the effect of the statute was that "if the exclusive right to distribute copies is vested in somebody in the United States, *so that sale by somebody else in the United States would be an infringement*, then the importation for the purposes of making that sale would also be an infringement." Staff of House Comm. on the Judiciary, 88th Cong., 2d Sess., *Copyright Law Revision, Part 4: Further Discussion and Comments on Preliminary Draft for Revised U.S. Copyright Law* 211 (Comm. Print 1964) (emphasis supplied). This comment, and others we have noted (*see* Pet. Br. at 23 & n.10), clearly indicate Mr. Goldman's view that liability under Section 602 exists only where the copyright owner would be able to block subsequent distribution in this country.[13]

Finally, L'anza attempts to draw conclusions from the absence in the legislative history of any specific reference to Section 109(a) in connection with Section 602(a). *See* Resp. Br. at 33. The lack of such references hardly proves L'anza's point. Indeed, if anything, the silence supports our view that if Congress had intended to exempt only one component of

[13] The Government argues that because Goldman asked whether questions about the first sale doctrine had been presented "as an argument against this kind of provision," he must have believed that Section 109(a) would not apply to Section 602(a). *See* U.S. Br. at 13. That accords Goldman's query far more significance than it can reasonably bear. Goldman's actual language appears to be attempting to ascertain the questioner's position on the proposed provision, and not thereby attempting to state Goldman's own views.

the distribution right from the long-established first sale doctrine, it would have done so expressly. Moreover, because it is clear from the language and structure of the statute that all components of the distribution right are subject to the first sale doctrine, there was no need for Congress to specify in the legislative history every possible application of Section 109(a). *See, e.g., Sedima, S.P.R.L.* v. *Imrex Co.*, 473 U.S. 479, 496 n.13 (1985) ("[C]ongressional silence, no matter how 'clanging,' cannot override the words of the statute."); *Mansell* v. *Mansell*, 490 U.S. 581, 592 (1989) ("[T]he absence of legislative history on this decision is immaterial in light of the plain and precise language of the statute; Congress is not required to build a record in the legislative history to defend its policy choices.").

II. APPLYING SECTION 109(a) TO SECTION 602(a) IS NOT AN IMPROPER EXTRATERRITORIAL APPLICATION OF THE COPYRIGHT ACT

L'anza and many of its *amici* argue—for the first time in this case—that applying Section 109(a) to Section 602(a) would be an impermissible extraterritorial application of the Copyright Act. *See* Resp. Br. at 26-27. It is not surprising that this argument was not presented below, because it has no merit. Adopting our interpretation would not extend the territorial reach of the Copyright Act in any way. Quality King has been sued in a United States court for actions that purportedly took place in this country. Allowing Quality King to raise a Section 109(a) defense would simply recognize that Quality King is the lawful owner of a lawfully made product and is therefore entitled to dispose of that product without incurring liability under the Copyright Act.

To make their extraterritoriality argument, L'anza and its *amici* are forced to mischaracterize our contentions. We do not contend, as they suggest, that L'anza's sale of its goods abroad was an exercise of its distribution rights that somehow exhausted those rights. *See, e.g.*, Resp. Br. at 27. Rather, we simply contend that Quality King is the "owner" of goods lawfully "made under this title" and is therefore entitled to the protections of Section 109(a)—*regardless* of where the

goods were made or first sold.[14] There is nothing in this contention that even remotely suggests an extraterritorial application of the Copyright Act.

Moreover, and in any event, there is nothing impermissible about a defense to a domestic copyright infringement action that might in some way involve events that occur abroad. Unlike the circumstances of *EEOC* v. *Arabian American Oil Co.*, 499 U.S. 244 (1991), nothing in this case constitutes an attempt "to enforce [U.S.] laws beyond the territorial boundaries of the United States." *Id.* at 248. As our *amici* have pointed out (*see* Brief of Costco Companies, *et al.* at 19-21), there are numerous provisions of the Copyright Act that depend in some way on events occurring abroad.[15] Indeed, liability under Section 602(a) is itself dependent on the copy having been acquired abroad. 17 U.S.C. § 602(a).[16]

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[14] Thus, although this case involves goods manufactured in the United States, it is not true (as one of L'anza's *amici* contends) that we concede the inapplicability of Section 109(a) to Section 602(a) or Section 106(3) claims involving goods manufactured abroad. *See* RIAA Br. at 16-17 & n.5. All of our arguments supporting the applicability of Section 109(a) to this case would apply to a case involving U.S.-copyrighted goods manufactured abroad under the explicit or implicit authorization of the U.S. copyright holder. Indeed, both the Government (*see* U.S. Br. at 29-30), and the court below (*see* Pet. App. at A9-A11), have criticized the flawed rationale under which some courts have refused to apply Section 109(a) to such cases.

[15] Contrary to the contentions of one of L'anza's *amici* (*see* Br. of the American Intellectual Property Law Association at 11), nothing in the language of Section 109(d) prevents the application of Section 109(a) to copies acquired abroad.

[16] This case has nothing to do with the issue addressed in *United Dictionary Co.* v. *G. & C. Merriam Co.*, 208 U.S. 260 (1908), cited by some of L'anza's *amici*. There, the Court construed a provision requiring a copyright notice in published works as not extending to editions published abroad because, although "Congress could attach what conditions it saw fit to its grant," it was "unlikely that it would require a warning to the public against the infraction of a law beyond the jurisdiction where that law was in force." *Id.* at 264. Here, by contrast, Quality King argues that it is the lawful "owner" of the goods in question and is entitled to the protection of Section 109(a) in a domestic infringement action, regardless of what actions may have occurred abroad.

III. THE POLICIES OF THE COPYRIGHT ACT SUPPORT QUALITY KING'S INTERPRETATION

A. L'anza's Position Would Not Advance the Policies of the Copyright Act

L'anza and its allies spend much of their briefs asserting that parallel imports are harmful. While we strongly disagree,[17] this Court is not the proper forum for these arguments, which L'anza is free to present to Congress. It is readily apparent, however, that these contentions have nothing to do with the interests that the Copyright Act was intended to protect and promote.

L'anza and its *amici* argue generally that preventing parallel importation is beneficial to manufacturers. In enacting the first sale doctrine, however, Congress determined that the harms of restricting the free flow of copyrighted works once they have been sold outweigh whatever monetary benefits may accrue to the copyright holder from such restrictions. For example, it is undisputed that the first sale doctrine prevents a copyright holder from attempting to segment *domestic* markets by using the Copyright Act to control its

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[17] For example, L'anza ignores the fact that parallel imports have resulted in billions of dollars of savings to U.S. consumers who, under L'anza's approach, would be paying substantially more for U.S.-manufactured goods than is paid by foreign consumers for precisely the same goods. *See* RIAA Br. at 13 (identical videocassettes with the same production costs can cost consumers more than six times as much in this country than abroad). It defies credulity to suggest that Congress—without any debate on the issue—would have extended the rights granted under the Copyright Act so as to allow copyright holders to use their limited monopoly on their product labels to maintain such inflated domestic prices to the detriment of U.S. consumers. In fact, numerous bills have been introduced in Congress to restrict parallel imports, and all of them have been unsuccessful. *See, e.g.*, S. 894, 102d Cong., 1st Sess. (1991); H.R. 3484, 101st Cong., 1st Sess. (1989); S. 626, 101st Cong., 1st Sess. (1989); S. 2903, 100th Cong., 2d Sess. (1988); S. 1671, 100th Cong., 1st Sess. (1987).

goods once it has sold them, no matter how lucrative it might be to do so. Thus, L'anza may not use the Act to promote different marketing schemes and price structures for the East and West coasts, notwithstanding any allegation that a reseller in one region would be taking unfair advantage of L'anza's marketing expenditures in another. There is no reason why a similar marketing scheme should be protected under the Act, and exempted from the first sale doctrine, merely because it involves an international strategy.

This was the position taken by the Government in *K Mart*, prior to its about-face in this case. There, the Government successfully urged this Court to uphold a rule that severely limited the ability of manufacturers to use trademark law to prevent parallel imports. The Government—relying in part on the first sale doctrine of trademark law—argued that "[t]here is no evidence that Congress intended, nor any reason why Congress would have wanted, to confer on a foreign manufacturer (or a U.S. manufacturer with a foreign subsidiary) government assistance in keeping its own goods out of the United States." Reply Br. for the Federal Petitioners at 7, Nos. 86-495 *et al.* (filed Sept. 22, 1987). Thus, as the Government explained, a manufacturer has numerous recourses for deterring parallel imports—such as differences in products, distinctive labeling or contractual arrangements —but is not entitled either to "protect[ion] * * * from foreign competition resulting from his own licensing" or to governmental "assistance in segmenting the international marketplace." Br. for the Federal Petitioners at 35, Nos. 86-495 *et al.* (filed Feb. 20, 1987); Suppl. Br. for the Federal Petitioners at 6, Nos. 86-495 *et al.* (filed Apr. 13, 1988).

The Government now contends that the differences between trademark and copyright law justify its opposite position in this case. *See* U.S. Br. at 28 n.17. But whatever the differences may be in other situations, the first sale doctrine that was the basis for the Government's position in *K Mart* is the same principle that supports Quality King's case here. As the Government explained, the regulations at issue in *K Mart* "reflect[ed] a settled principle of domestic trademark law: a

trademark owner * * * does not have the right, merely by virtue of owning the mark, to limit the resale of his *own* goods once he has put them into commerce." Suppl. Br. for the Federal Petitioners at 3, Nos. 86-495 *et al.* (filed Apr. 13, 1988) (emphasis in original). *See also id.* at 16 (regulations are "consistent with the basic notion that a trademark has never given its owner a right to restrict later distribution of its goods after it has sold them"). The same is true under copyright law: under long-established law, a copyright owner cannot limit the resale or other disposition of goods once the owner has put them into commerce. *See supra* at 2.

B. The Government's Recent Shift in Policy is Entitled to No Deference

The Government also advances a truly astounding argument in support of the judgment below. The Government contends that because Executive branch officials have taken a position disapproving of parallel importation of copyrighted material, and have memorialized that position in diplomatic cables and executive trade agreements, this Court should therefore interpret Section 602(a) as the Government wishes. The Government thus asks this Court to defer to its interpretation of a statute that it has no responsibility to administer[18] merely because executive officials have told another country that their interpretation is correct. *See* U.S. Br. at 6-7 (Court should adopt L'anza's position because Quality King's position is "contrary to representations made by the United States to foreign governments").

Such an argument subverts the role of the Court as the arbiter of the meaning of domestic statutes, and expands beyond all reasonable bounds the proper role of executive agreements in the interpretation of domestic law. It is, of course, "emphatically the province and duty of *the judicial*

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[18] As the Government itself notes (*see* U.S. Br. at 13 n.8), it has no role in the implementation of Section 602(a). Thus, there is no contention here that the Government's new policy on parallel imports is entitled to any deference under *Chevron U.S.A. Inc.* v. *Natural Resources Defense Council, Inc.*, 467 U.S. 837 (1984).

department to say what the law is." *Marbury* v. *Madison*, 5 U.S. (1 Cranch) 137, 177 (1803) (emphasis supplied). The Government, however, seeks to usurp that power and vest it instead in the Government's own trade negotiators. In effect, the Government argues that it should be able to amend the Copyright Act by construing it in international agreements.

The Government provides no support for its extraordinary assertion of executive power, and there is none. The only cited case, *Vimar Seguros Y Reaseguros, S.A.* v. *M/V Sky Reefer*, 515 U.S. 528 (1995), involved a multilateral agreement on arbitration that was specifically ratified by Congress and codified in the United States Code. *Id.* at 538. The Court held there that Congress intended to give effect to the arbitration requirements of the international agreement.

By contrast, the five agreements lodged by the Government are not—and the government does not assert them to be—either treaties ratified by the Senate[19] or executive agreements authorized or approved in any way by Congress.[20] They are therefore "sole executive agreements" negotiated by the President based on his own authority, and must rely for their efficacy on the inherent power of the President, unsupported by the power of Congress. *See Youngstown Sheet &*

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[19] The Government has also cited negotiating positions for the WIPO Copyright Treaty and the treaty on Protection of Performers and Producers of Phonograms. These treaties, currently pending before the United States Senate and awaiting ratification in a number of other countries, did not adopt the Administration's proposed position on parallel imports.

[20] These trade agreements were not subject to the safeguards of the "fast track" negotiating authority which the Administration possessed when most of these agreements were negotiated but chose not to use for these agreements. *See* Omnibus Trade and Competitiveness Act of 1988, Pub. L. No. 100-418, 102 Stat. 1107 Among these safeguards was the requirement that government positions on trade issues must be arrived at after adequate consultation with Congress and the public. *See id.* §§ 1102(d), 1111(a). The Government has not cited—and we have been unable to locate—any mention of congressional or public consultation by the Government on the position advanced in its brief in this case.

Tube Co. v. *Sawyer*, 343 U.S. 579, 637 (1952) (Jackson, J., concurring) ("When the President takes measures incompatible with the expressed or implied will of Congress, his power is at its lowest ebb * * * ."). They may not supersede or contradict statutes enacted by Congress, particularly one dealing with a matter—domestic intellectual property rights—primarily in the congressional domain.[21] Nothing in *Vimar* supports the proposition that the executive can influence this Court's resolution of disputed questions of statutory law through the "bootstrap" technique of memorializing its preferred interpretations in trade agreements that have not been ratified by Congress. The Court would not give effect to *any* congressional intent or purpose by construing a statute with reference to sole executive agreements negotiated without authorization or approval by Congress.[22]

The Government's argument, moreover, is all the more outrageous because at the time the Government sent the cables and signed the cited agreements, it knew that the only circuit court to have ruled on the statutory question had reached the opposite conclusion. *See Sebastian Int'l, Inc.* v. *Consumer Contacts (PTY) Ltd.*, 847 F.2d 1093 (3d Cir. 1988); Department of State Telegram No. 384388 at 9-10 (Nov. 13, 1990) (lodged with Court). Thus, to the extent the Government now fears embarrassment from a ruling by this Court in Quality King's favor, that embarrassment is entirely of the

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[21] *See United States* v. *Guy W. Capps, Inc.*, 204 F.2d 655 (4th Cir. 1953), *aff'd on other grounds*, 348 U.S. 296 (1955); *Restatement of the Law (Third) of the Foreign Relations Law of the United States*, § 115 comm. c (1986) ("a sole executive agreement on a matter within the express constitutional authority of Congress * * * will not be given effect in the face of an inconsistent statute").

[22] We do not question the authority of the Executive branch to enter into these agreements. Rather, we argue that these agreements cannot provide any assistance in interpreting the earlier Copyright Act of 1976, and that to the extent they contradict the statute, the statute must prevail.

Government's own making.[23] If the Government wishes to retreat from its own position which the Court upheld in *K Mart*, and to apply a new policy on parallel imports, it may seek statutory changes after open, public debate. It may not, however, negotiate trade agreements out of the public eye and then use the mere existence of these agreements to influence this Court's legal rulings regarding the meaning of Congressional enactments.

CONCLUSION

For the foregoing reasons and the reasons set forth in our opening brief, the judgment of the Court of Appeals should be reversed.

Respectfully submitted,

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[23] No holding by this Court could subject the United States to liability under the cited agreements, all of which provide only for "consultations" rather than any binding dispute settlement.